

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>TOWNSHIP OF SENEY</b>	County <b>SCHOOLCRAFT</b>
Audit Date <b>3/31/05</b>	Opinion Date <b>5/12/05</b>	Date Accountant Report Submitted to State: <b>7/22/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>ANDERSON, TACKMAN &amp; COMPANY, PLC</b>			
Street Address <b>901 LUDINGTON STREET</b>	City <b>ESCANABA</b>	State <b>MI</b>	ZIP <b>49829</b>
Accountant Signature <i>Anderson, Tackman &amp; Company P.C.</i>		Date <b>7/22/05</b>	

**TOWNSHIP OF SENEY**

**BASIC FINANCIAL STATEMENTS**

For the Year Ended March 31, 2005

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**ANDERSON, TACKMAN & COMPANY, PLC**

CERTIFIED PUBLIC ACCOUNTANTS

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## **INDEPENDENT AUDITORS' REPORT**

Township Board  
Township of Seney  
P.O. Box 116  
Seney, Michigan 49883

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Township of Seney as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Township of Seney as of March 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2005, on our consideration of the Township of Seney's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3 - 10, and the budgetary comparisons on page 29 are not a required part of the financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Seney's basic financial statements. The schedules listed as supplemental information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Anderberg, Tackman & Company P.C.*  
Certified Public Accountants

May 12, 2005

## **Management's Discussion and Analysis**

## **MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)**

Our discussion and analysis of Seney Township's financial performance provides an overview of the Township's financial activities for the year ended March 31, 2005. Please read it in conjunction with the Township's financial statements, which begin on page 12.

The Seney Township's discussion and analysis is designed to: (a) assist the reader in focusing on significant financial issues; (b) provide an overview of the township's financial activity; (c) identify changes in the township's financial position (its ability to address the next and subsequent year challenges); (d) identify any material deviations from the approved budget; and (e) identify any issues or concerns. This is the first year the township has reported under GASB 34, therefore, no comparisons with prior year will be made. In future years, comparative information will be presented in various schedules throughout the MD&A.

### **FINANCIAL HIGHLIGHTS**

- Net assets for the Township were reported at \$1,772,269. Net assets for our business-type activities were \$1,011,287 or 57% of total net assets, while net assets in our governmental activities were \$760,982 or 43% of total net assets.
- The Township's expenses for the year totaled \$181,132, while revenues from all sources totaled \$140,852, resulting in a decline in net assets of \$40,280.
- In the Township's business type activities, total revenues were \$18,173, or 13% of total revenue, while expenses totaled \$34,046, or 14% of total expenses. These excess expenditures over revenue resulted in a decline of net assets in an amount of \$15,873.
- The General Fund reported a decline in fund balance of \$82,057 (or 35%) compared to a decline of \$86,894 (or 24%) in 2003. This was after revenues of \$122,046 compared to \$124,220 in 2003, and expenditures of \$204,103 compared to \$211,114 in 2003.

### **USING THIS REPORT**

This annual report consists of a series of financial statements. The Statement of Net Assets and Statement of Activities (on pages 12 and 13) provide information about the activities of the Township as a whole and present a longer term view of the Township's finances. Fund financial statements start on page 14. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The remaining statement provides financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the Township.



## **MANAGEMENT DISCUSSION AND ANALYSIS (continued):**

### **Reporting the Township as a whole**

#### **Statement of Net Assets and the Statement of Activities**

Our analysis of the Township as a whole begins on page 6. One of the most important questions asked about the Township's finances; "Is the Township as a whole better off or in worse condition as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Township as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Township's net assets and changes in them. You can think of the Township's net assets- the difference between assets and liabilities- as one way to measure the Township's financial health, or *financial position*. Over time, *increases or decreases* in the Township's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Township's property tax base to assess the *overall financial health* of the Township.

In the Statement of Net Assets and the Statement of Activities, we divide the Township into two categories of activities:

- Governmental activities - Most of the Township's basic services are reported here including legislative, public safety, highway and transportation, health and welfare, recreation and cultural, cemetery, and general administration. Property taxes and state shared revenues make up the majority of revenue for these activities.
- Business-type activities - The Township charges to provide water utility services to customers.

### **Reporting the Township's Most Significant Funds**

#### **Fund Financial Statements**

Our analysis of the Township's major funds begin on page 8. The fund financial statements begin on page 14 and provide detailed information on the most significant funds - not the Township as a whole. Some funds are required to be established by State law, and by bond covenants. However, the Township Board of Trustees may establish other funds to help it control and manage money for particular purposes or to show that it is meeting legal requirements for certain taxes, grants, and other money. The Township's two kinds of funds - governmental and proprietary - use different accounting methods.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued):

- *Governmental funds* - Most of the Township's services are reported in governmental funds which focus on how money flows into and out of those funds and the balances that are left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed short-term view of the Township's general government operations and the basic services it provides. Governmental fund information helps you to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and Statement of Activities) and governmental funds in a reconciliation which follows the fund financial statements.
- *Proprietary funds* - When the Township charges customers for the services it provides - whether to outside customers or to other units of the Township - these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the Township's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds.

### The Township as a Trustee

The Township is the trustee, or *fiduciary*, for tax receipts and other collections, which are collected for other agencies and held for a periodic payment to those agencies. The Township's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on page 21. We exclude these funds from the Township's other financial statements because the Township cannot use these assets to finance its operations. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued):

### The Township as a Whole

The Township's net combined assets declined by \$40,280.

**Table 1**  
**Net Assets**

	Governmental Activities <u>2005</u>	Business-Type Activities <u>2005</u>
Assets:		
Current and other assets	\$ 247,456	\$ 93,215
Capital assets(net)	<u>657,217</u>	<u>960,139</u>
Total Assets	<u>\$ 904,673</u>	<u>\$ 1,053,354</u>
Liabilities:		
Current liabilities	112,474	42,067
Long-term debt outstanding	<u>31,217</u>	<u>-</u>
Total Liabilities	<u>\$ 143,691</u>	<u>\$ 42,067</u>
Net Assets:		
Invested in capital assets, net of related debt	609,844	960,139
Expendable:		
Special Revenue	-	-
Unrestricted	<u>151,138</u>	<u>51,148</u>
Total net assets	<u>\$ 760,982</u>	<u>\$ 1,011,287</u>

Net assets of the Township's governmental activities stood at \$760,982. Unrestricted net assets, the part of net assets that could be used to finance the day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$151,138.

Net assets in our business-type activities stood at \$1,011,287. Unrestricted net assets for our business-type activities were \$51,148.

**MANAGEMENT DISCUSSION AND ANALYSIS (continued):**

**Table 2**  
**Changes in Net Assets**

	Governmental Activities <u>2005</u>	Business-Type Activities <u>2005</u>
Revenues:		
Program Revenues:		
Charges for services	\$ 18,300	\$ 18,173
General Revenues:		
Property taxes	92,225	-
State revenue sharing	<u>12,154</u>	<u>-</u>
Total Revenues	<u>122,679</u>	<u>18,173</u>
Program Expenses:		
Legislative	5,228	-
General government	65,806	-
Public safety	22,011	-
Public works	7,980	-
Recreation and culture	20,730	-
Capital Outlay	2,435	-
Interest	2,116	-
Other	20,780	-
Water utility	<u>-</u>	<u>34,046</u>
Total Expenses	<u>147,086</u>	<u>34,046</u>
Increase (decrease) in net assets	(24,407)	(15,873)
Net assets - beginning	<u>785,389</u>	<u>1,027,160</u>
Net assets - ending	<u>\$ 760,982</u>	<u>\$ 1,011,287</u>

## MANAGEMENT DISCUSSION AND ANALYSIS (continued):

### Governmental Activities

Revenues for the Township's governmental activities totaled \$122,679, while expenses were \$147,086. The excess of expenses over revenue was \$24,407. Table three below reflects the cost of each of the Township's five largest activities; General government, Public safety, Public works, and Recreation and culture, and other, as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each function placed on the taxpayers.

**Table 3**  
**Government Activities**

	Total Cost of Services <u>2005</u>	Net Cost of Services <u>2005</u>
General government	65,806	65,211
Public safety	22,011	21,378
Public works	7,980	7,980
Recreation and cultural	20,730	12,292
Other	<u>20,780</u>	<u>12,146</u>
Totals	<u>\$ 137,307</u>	<u>\$ 119,007</u>

### Business-Type Activities

The Township's business-type activities net assets totaled \$1,011,287, with a decrease in the current year of \$15,873.

## THE TOWNSHIP'S FUNDS

The focus of the governmental funds of the Township is to provide information on near-term inflows, outflows and balances in spendable resources. The fund information is useful to determine short-term financing requirements and can be used to measure the Township's net resources available for spending at the end of the fiscal year.

For the current fiscal year the Township's governmental funds reported total fund balance of \$760,982, of which \$95,137 is unreserved.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued):

### General Fund Budgetary Highlights

Over the course of the year, the budget was amended several times. These amendments were made to recognize changes to revenue or expenditures. The original budget projected a decline in fund balance in the amount of \$249,050, while the actual results showed a decline to fund balance of \$82,057.

During 2004-2005 Fiscal Year, there were several projects planned which the board put on hold when they decided to pay the water system bond off in anticipation of constructing a necessary sewer system. Several departmental budgets were adjust to reflect these changes.

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At fiscal year ended March 31, 2005, the Township had \$1,617,356, net of accumulated depreciation, invested in a variety of capital assets including land and improvements, buildings and improvements, equipment and furniture, vehicles, and the water system. (See table 4 below):

**Table 4**  
**Capital Assets at Year-End**  
**(Net of accumulated depreciation)**

	Governmental Activities <u>2005</u>	Business-Type Activities <u>2005</u>
Land and improvements	\$ 185,990	\$ -
Buildings and improvements	193,310	-
Machinery and equipment	126,011	-
Construction in progress	151,906	-
Water system	<u>-</u>	<u>960,139</u>
Total	<u>\$ 657,217</u>	<u>\$ 960,139</u>

#### DEBT

At year-end the Township had \$47,373 in notes outstanding.

**Table 5**  
**Outstanding Debt at Year-End**

	Governmental Activities <u>2005</u>	Business-Type Activities <u>2005</u>	<u>Totals</u>
Note Payable:			
Pumper truck & tanker truck	\$ 47,373	\$ -	\$ 47,373

There were no additions to long-term debt this fiscal year.

## **MANAGEMENT DISCUSSION AND ANALYSIS (continued):**

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The Township Board and Township management will consider many factors when setting the fiscal year budget, tax rates and fees that will be charged for services.

The Township will be constructing a necessary sewer system in 2005-2006. We anticipate reimbursement for engineering and other related costs thus far expended by the township in that effort. We also anticipate revenue from the bond proceeds.

The Township has received a grant to construct a service building to house necessary equipment and parts for the water and sewer utility systems. As part of that grant the Township will also be extending the water mains to include new customers and increased revenue to the water system.

We have also increased the Park/Campground fees therefore generating more revenues for that department and we have plans to expand the campground area of the park to service more travelers.

We will continue to upgrade our equipment for the fire department and ambulance and are reviewing billing for these departments to generate more revenues for those departments.

With the added utility of the sewer system in conjunction with the water system, the Township Board hopes this will serve as an incentive to entice further business development and residential growth in our community.

### **CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers and customers, as well as investors and creditors with a general overview of the Township's finances and to show the Township's accountability for the revenues it receives. If you have questions about this report or need additional information, contact the Township Supervisor at the Seney Township Hall, P.O. Box 116, Seney, Michigan 49883

## **Basic Financial Statements**



**TOWNSHIP OF SENEY**  
**STATEMENT OF NET ASSETS**  
**March 31, 2005**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents			
Unrestricted	\$ 148,102	\$ 48,715	\$ 196,817
Restricted	16,444	-	16,444
Receivables:			
Notes	39,557	-	39,557
Due from other funds	43,353	44,500	87,853
Total current assets	<u>247,456</u>	<u>93,215</u>	<u>340,671</u>
Noncurrent assets:			
Capital assets, net of accumulated depreciation	<u>657,217</u>	<u>960,139</u>	<u>1,617,356</u>
Total assets	<u>\$ 904,673</u>	<u>\$ 1,053,354</u>	<u>\$ 1,958,027</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 51,605	\$ -	\$ 51,605
Due to other funds	44,500	41,083	85,583
Due to other governmental units	213	-	213
Long-term liabilities due within one year:			
Notes payable	16,156	-	16,156
Other	-	984	984
Total current liabilities	<u>112,474</u>	<u>42,067</u>	<u>154,541</u>
Long-term liabilities:			
Notes payable	<u>31,217</u>	<u>-</u>	<u>31,217</u>
Total liabilities	<u>143,691</u>	<u>42,067</u>	<u>185,758</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	609,844	960,139	1,569,983
Restricted for:			
Expendable:			
Special revenue	-	-	-
Unrestricted	<u>151,138</u>	<u>51,148</u>	<u>202,286</u>
Total net assets	<u>760,982</u>	<u>1,011,287</u>	<u>1,772,269</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 904,673</u>	<u>\$ 1,053,354</u>	<u>\$ 1,958,027</u>

See accompanying notes to financial statements.

**TOWNSHIP OF SENEY**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended March 31, 2005**

Functions/Programs	Expenses	Program Revenue	Net (Expense) Revenue and Changes in Net Assets		
		Fees, Fines and Charges for Services	Primary Government		
			Governmental Activities	Business-type Activities	Total
<b>Primary government:</b>					
Governmental activities:					
Legislative	\$ 5,228	\$ -	\$ (5,228)	\$ -	\$ (5,228)
General government	65,806	595	(65,211)	-	(65,211)
Public safety	22,011	633	(21,378)	-	(21,378)
Public works	7,980	-	(7,980)	-	(7,980)
Recreation and culture	20,730	8,438	(12,292)	-	(12,292)
Capital outlay	2,435	-	(2,435)	-	(2,435)
Interest	2,116	-	(2,116)	-	(2,116)
Other	20,780	8,634	(12,146)	-	(12,146)
Total governmental activities	<u>147,086</u>	<u>18,300</u>	<u>(128,786)</u>	<u>-</u>	<u>(128,786)</u>
Business-type activities:					
Water	<u>34,046</u>	<u>18,173</u>	<u>-</u>	<u>(15,873)</u>	<u>(15,873)</u>
Total business-type activities	<u>34,046</u>	<u>18,173</u>	<u>-</u>	<u>(15,873)</u>	<u>(15,873)</u>
Total primary government	<u>181,132</u>	<u>36,473</u>	<u>(128,786)</u>	<u>(15,873)</u>	<u>(144,659)</u>
General revenues:					
Property taxes			92,225	-	92,225
State revenue sharing			<u>12,154</u>	<u>-</u>	<u>12,154</u>
Total general revenues			<u>104,379</u>	<u>-</u>	<u>104,379</u>
Change in net assets			(24,407)	(15,873)	(40,280)
Net assets, beginning			<u>785,389</u>	<u>1,027,160</u>	<u>1,812,549</u>
Net assets, ending			<u>\$ 760,982</u>	<u>\$ 1,011,287</u>	<u>\$ 1,772,269</u>

See accompanying notes to financial statements

**TOWNSHIP OF SENEY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
March 31, 2005**

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	<u>General Fund</u>	<u>Special Revenue</u>
<b>ASSETS</b>		
Cash and equivalents:		
Unrestricted	\$ 148,102	\$ -
Restricted	16,444	-
Notes Receivable	39,557	
Due from other funds	<u>43,353</u>	<u>-</u>
Total assets	<u>\$ 247,456</u>	<u>\$ -</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 51,605	\$ -
Due to other funds	44,500	-
Due to other governmental units	213	-
Deferred revenue	<u>39,557</u>	<u>-</u>
Total liabilities	<u>135,875</u>	<u>-</u>
<b>FUND BALANCES</b>		
Reserved for loans	16,444	
Unreserved:		
Undesignated	<u>95,137</u>	<u>-</u>
Total fund balances	<u>111,581</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 247,456</u>	<u>\$ -</u>

See accompanying notes to financial statements.

**TOWNSHIP OF SENEY**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**March 31, 2005**

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Total fund balances for governmental funds \$ 111,581

Total net assets reported for governmental activities in the statement of net assets  
is different because:

Capital assets used in governmental activities are not financial resources and  
therefore are not reported in the funds. Those assets consist of:

Land and land improvements	242,573	
Buildings and improvements	281,481	
Machinery and equipment	304,772	
Construction in progress (Sewer system)	151,906	
Accumulated depreciation	<u>(323,515)</u>	
Total capital assets		657,217

Long-term liabilities applicable to the Township's governmental activities are not  
due and payable in the current period and accordingly are not reported as  
fund liabilities. Interest on long-term debt is not accrued in governmental  
funds, but rather is recognized as an expenditure when due. All liabilities,  
both current and long-term, are reported in the statement of net assets.

Notes payable (47,373)

Deferred revenue, reported as a liability on the balance sheet of the fund  
financial statements, has been recognized as a revenue in the Statement of  
Activities and has been removed from the Statement of Net Assets

Deferred revenue 39,557

Total net assets of governmental activities \$ 760,982

See accompanying notes to financial statements.

**TOWNSHIP OF SENEY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended March 31, 2005**

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	General Fund	Special Revenue	Total Governmental Funds
<b>REVENUES:</b>			
Taxes	\$ 92,225	\$ -	\$ 92,225
Licenses and permits	-	633	633
State sources	12,154	-	12,154
Charges for services	9,033	-	9,033
Interest and rentals	5,637	-	5,637
Other	2,997	-	2,997
	<hr/>	<hr/>	<hr/>
Total revenues	122,046	633	122,679
	<hr/>	<hr/>	<hr/>
<b>EXPENDITURES:</b>			
Legislative	5,228	-	5,228
General government	126,209	633	126,842
Public safety	4,452	-	4,452
Public works	7,980	-	7,980
Recreation and cultural	19,316	-	19,316
Capital outlay	2,435	-	2,435
Debt service:			
Principal	15,587	-	15,587
Interest	2,116	-	2,116
Other	20,780	-	20,780
	<hr/>	<hr/>	<hr/>
Total expenditures	204,103	633	204,736
	<hr/>	<hr/>	<hr/>
Excess revenues (expenditures)	(82,057)	-	(82,057)
	<hr/>	<hr/>	<hr/>
Fund balances - beginning of year	193,638	-	193,638
	<hr/>	<hr/>	<hr/>
Fund balances - end of year	<u>\$ 111,581</u>	<u>\$ -</u>	<u>\$ 111,581</u>

See accompanying notes to financial statements.

**TOWNSHIP OF SENEY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended March 31, 2005**

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Net changes in fund balances - total governmental funds	\$ (82,057)
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The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets are capitalized and the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$73,699) exceeded depreciation expense (\$31,636).	42,063
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Repayment of principal is an expenditure in the governmental funds but reduces the liability in the Statement of Net Assets.

Principal repayments:

Note principal	<u>15,587</u>
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Changes in net assets of governmental activities	<u><u>\$ (24,407)</u></u>
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See accompanying notes to financial statements.

**TOWNSHIP OF SENEY**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUND TYPE**  
**March 31, 2005**

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	Water Fund
	<u>          </u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	
Unrestricted	\$    48,715
Due from other funds	<u>44,500</u>
Total current assets	<u>93,215</u>
 Noncurrent assets:	
Capital assets, net of accumulated depreciation	 <u>960,139</u>
 Total assets	 <u><u>\$  1,053,354</u></u>
 <b>LIABILITIES</b>	
Current liabilities:	
Due to other funds	\$    41,083
Customer deposits	<u>984</u>
Total current liabilities	<u>42,067</u>
 <b>NET ASSETS</b>	
Invested in capital assets, net of related debt	960,139
Unrestricted	<u>51,148</u>
 Total net assets	 <u>1,011,287</u>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <u><u>\$  1,053,354</u></u>

See accompanying notes to financial statements.

**TOWNSHIP OF SENEY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**PROPRIETARY FUND TYPE**  
**For the Year Ended March 31, 2005**

---

	Water Fund
<b>OPERATING REVENUES:</b>	
Charges for services	\$ 16,951
<b>OPERATING EXPENSES:</b>	
Salaries and fringes	3,552
Office supplies	3,587
Training	620
Travel	62
Telephone	427
Utilities	1,395
Depreciation	21,816
Miscellaneous	2,587
Total operating expenses	34,046
Operating income (loss)	(17,095)
<b>NONOPERATING REVENUES (EXPENSES):</b>	
Interest income	1,222
Change in net assets	(15,873)
Total net assets - beginning	1,027,160
Total net assets - ending	\$ 1,011,287

See accompanying notes to financial statements.



**TOWNSHIP OF SENEY**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND TYPE**  
**For the Year Ended March 31, 2005**

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	Water Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 16,375
Cash payments to employees for wages	(3,552)
Cash payments to vendors for good and services	(8,679)
	<u>4,144</u>
Net cash provided (used) by operating activities	<u>4,144</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers to other funds	(44,500)
	<u>(44,500)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest income	1,222
	<u>1,222</u>
Net increase (decrease) in cash and equivalents	(39,134)
Cash and equivalents, beginning of year	87,849
	<u>87,849</u>
Cash and equivalents, end of year	<u>\$ 48,715</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>	
Operating income (loss)	\$ (17,095)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation expense	21,816
Changes in assets and liabilities:	
Increase (decrease) in customer deposits	(577)
	<u>(577)</u>
Total adjustments	21,239
	<u>21,239</u>
Net cash provided by operating activities	<u>\$ 4,144</u>

See accompanying notes to financial statements.

**TOWNSHIP OF SENEY**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**March 31, 2005**

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**ASSETS**

Cash and cash equivalents:	
Unrestricted	\$     83,512

**LIABILITIES**

Undistributed taxes and interest:	
Township of Seney	\$     2,270
Schoolcraft County	45,446
Eastern UP Intermediate School District	2,991
Tahquamenon Area School District	32,644
Schoolcraft Soil Conservation District	<u>161</u>
 Total liabilities	 \$     83,512

See accompanying notes to financial statements.

## **Notes to Financial Statements**

**TOWNSHIP OF SENEY**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2005**

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Township's Statement of Net Assets includes the accounts and funds of all Township operations. The Township was organized under the provisions of the Michigan constitution. The Township is operated under a commission form of government and provides services in the following areas: roads, public improvements, fire safety, water system and general administrative services.

The accounts of the Township have been maintained in accordance with the balanced fund principles of accounting for governmental units. During the year the Township adopted the Governmental Accounting Standards Board (GASB) Statement No. 34, which substantially revised the financial statement presentation. The following is a summary of the more significant policies and financial reporting descriptions:

- (1) Government-Wide Financial Statements - The Statement of Net Assets and Statement of Activities display information about the Township as a whole. They include all funds of the Township except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges to customers or applicants who purchase, use or directly benefit from goods or services provided by a given function and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues.

- (2) Fund Accounting – The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial report into four generic fund types within three broad categories as follows:

**GOVERNMENTAL FUNDS**

General Fund – The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specific purposes.

**TOWNSHIP OF SENEY**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2005**

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**BUSINESS-TYPE FUNDS**

Proprietary Fund – Proprietary Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Township applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements.

**FIDUCIARY FUNDS**

Trust and Agency Funds – Trust and Agency Funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Trust and Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operation.

- (3) Basis of Accounting – Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The Government-wide financial statements use the economic resources measurement focus and the full accrual basis of accounting which also include the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year in which they are levied.

Governmental fund financial statements are reported using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. State shared revenues, charges for services and interest earnings are accrued since they are measurable and available. Revenues from federal and state grants received as reimbursements for specific purposes of projects are recognized when the expenditure is incurred.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is principal and interest on general long-term debt, which is recognized when due.

All Proprietary Funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred.

**TOWNSHIP OF SENEY**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2005**

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- (4) Budgets and Budgetary Accounting – The following procedures are followed in establishing the budgetary data reflected in these financial statements:
- a. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
  - b. The proposed budgets include expenditures as well as the methods of financing them.
  - c. Public hearings are held to obtain taxpayer comments.
  - d. The budgets are adopted at the activity level by a majority vote of the Township Board.
  - e. The budgets are adopted on the modified accrual basis of accounting.
  - f. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
  - g. The adopted budgets are used as a management control device during the year for all budgetary funds.
  - h. Budget appropriations lapse at the end of each fiscal year.
  - i. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.
- (5) Property Taxes – Property taxes levied attach as an enforceable lien on property. The Township bills and collects its own property taxes and also the taxes for the local school district, the Intermediate School District, and the County. Collections and remittances for all taxes are accounted for in the trust and agency fund. The Township 2004 tax roll millage rate was 1.0779 and the taxable value was \$8,481,098.
- (6) Capital Assets – Capital assets, which include property, buildings, equipment and infrastructure assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. The Township has elected not to report, nor is it required to report, its major general infrastructure assets per GASB Statement No. 34.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the Township is depreciated using the straight-line method over the estimated useful lives of the assets.

**TOWNSHIP OF SENEY**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2005**

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- (7) Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE B – CASH AND EQUIVALENTS**

The composition of cash and equivalents as reported on the Statement of Net Assets for the Township are presented below. All deposits are carried at cost which approximates market value. The Governmental Accounting Standards Board (GASB) Statement No. 3 risk disclosures for the reporting entity's cash deposits are reported as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Deposits:		
Insured (FDIC)	\$ 261,674	\$ 268,525
Uninsured	35,099	40,482
 TOTAL OF CASH AND EQUIVALENTS	 <u>\$ 296,773</u>	 <u>\$ 309,007</u>
 Government-Wide Statement of Net Assets presentation:		
Cash and equivalents:		
Unrestricted	\$ 196,817	
Restricted	16,444	
 Fiduciary Statement of Net Assets presentation:		
Cash and equivalents:		
Unrestricted	<u>83,512</u>	
 TOTAL	 <u>\$ 296,773</u>	

State statutes authorize the Township to deposit and invest in the following:

- a. Bonds, securities and other obligations of the United States or an agency or instrumentality of the United States;
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution;
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase;
- d. Repurchase agreements consisting of instruments listed in subdivision (a);
- e. Bankers' acceptance of United States banks;

**TOWNSHIP OF SENEY**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2005**

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**NOTE B – CASH AND EQUIVALENTS (Continued)**

- f. Obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service;
- g. Mutual funds registered under the investment company act of 1940, title I of chapter 686, 54 sat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of either of the following:
  - 1. The purchase of securities on a when-issued delayed delivery basis.
  - 2. The ability to lend portfolio securities as long as the mutual fund receives collateral all times equal to at least 100% of the securities loaned.
  - 3. The limited ability to borrow and pledge a like portion of the portfolios' assets for temporary or emergency purposes.
- h. Obligations described in subdivision (a) through (g) if purchased through an interlocal agreement under the urban cooperation of 1967, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, MCL 129.141 to 129.150.

Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

**NOTE C – RESTRICTED CASH**

Restricted cash, as listed in the General Fund, is restricted for the purpose of loans to local businesses under the Michigan Small Cities Block Grant program. The restricted cash balance as of March 31, 2005 of \$16,444 represents monies available for loans under this program agreement.

**NOTE D – INTERFUND RECEIVABLES AND PAYABLES**

A summary of the interfund receivables and payables is as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Fund</u>	<u>Payable</u>
		Water	\$ 41,083
General	\$ 43,353	Trust & Agency	2,270
Water	<u>44,500</u>	General	<u>44,500</u>
TOTAL:	<u>\$ 87,853</u>	TOTAL:	<u>\$ 87,853</u>



**TOWNSHIP OF SENEY**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2005**

**NOTE E – CAPITAL ASSETS**

Capital asset activity for the year ended March 31, 2005, is as follows:

	Balance at 04/01/04	Additions	Disposals	Balance at 03/31/05
Governmental activities:				
Land and land improvements	\$ 242,573	\$ -	\$ -	\$ 242,573
Buildings and improvements	281,481	-	-	281,481
Machinery and equipment	304,772	-	-	304,772
Construction in progress	-	151,906	-	151,906
Total capital assets	<u>828,826</u>	<u>151,906</u>	<u>-</u>	<u>980,732</u>
Less accumulated depreciation:				
Land and land improvements	53,576	3,007	-	56,583
Buildings and improvements	81,051	7,120	-	88,171
Machinery and equipment	157,252	21,509	-	178,761
Total accumulated depreciation	<u>291,879</u>	<u>31,636</u>	<u>-</u>	<u>323,515</u>
Net governmental activities capital assets	<u>\$ 536,947</u>	<u>\$ 120,270</u>	<u>-</u>	<u>\$ 657,217</u>

Depreciation expense was charged to the governmental activities as follows:

General government	\$ 12,663
Public safety	17,559
Recreation and culture	<u>1,414</u>
Total governmental activities depreciation expense	<u>\$ 31,636</u>

A summary of the business-type activities capital assets for the year ended March 31, 2005 is as follows:

Business-type activities:				
Water system	\$ 1,090,779	\$ -	\$ -	\$ 1,090,779
Less: accumulated depreciation	<u>(108,825)</u>	<u>(21,815)</u>	<u>-</u>	<u>(130,640)</u>
Business-type activities capital assets, net	<u>\$ 981,954</u>	<u>\$ (21,815)</u>	<u>\$ -</u>	<u>\$ 960,139</u>

**TOWNSHIP OF SENEY**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2005**

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**NOTE F – LONG-TERM DEBT**

The note payable reflected in the government-wide financial statements was incurred for the purchases of a 1988 pumper truck and a 1985 2,000 gallon tanker truck. The original amount of the loan was \$80,400. The note is payable to First Bank of Gladstone, Michigan, in monthly installments of \$1,475 including interest calculated at 3.8%. The note is secured by the trucks.

The following is a summary of the long-term debt activity for the year:

Balance 3/31/2004	Additions	Retirements	Balance 3/31/2005
\$ 62,960	\$ -	\$ 15,587	\$ 47,373

A schedule of the principal and interest payments on this note is as follows:

Year	Principal	Interest	Total
03/31/06	\$ 16,156	\$ 1,546	\$ 17,702
03/31/07	16,790	912	17,702
03/31/08	14,427	259	14,686
<b>TOTAL</b>	<b>\$ 47,373</b>	<b>\$ 2,717</b>	<b>\$ 50,090</b>

**NOTE G – PENSION PLAN**

The Township has a money purchase pension plan covering substantially all full-time employees. The plan is administered by Municipal Retirement Systems, Inc. The Township makes contributions annually in the amount of 10 percent of the employees annual compensation. Information relative to the plan is as follows:

Year	Pension Contribution
03/31/01	\$ 2,436
03/31/02	2,472
03/31/03	2,042
03/31/04	5,313
03/31/05	4,271

**NOTE H – RISK MANAGEMENT**

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

## **Required Supplemental Information**

**TOWNSHIP OF SENEY**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the Year Ended March 31, 2005**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis) (See Note A)	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 88,251	\$ 88,251	\$ 92,225	\$ 3,974
State sources	10,250	10,250	12,154	1,904
Charges for services	9,000	9,000	9,033	33
Interest and rentals	5,500	5,500	5,637	137
Other	-	-	2,997	2,997
Total revenues	113,001	113,001	122,046	9,045
<b>EXPENDITURES:</b>				
Legislative:				
Board of commissioners	15,000	15,000	5,228	9,772
General government:				
Supervisor	9,600	9,600	5,253	4,347
Clerk	9,600	9,600	4,969	4,631
Treasurer	9,600	9,600	7,818	1,782
Township hall & grounds	41,600	21,600	10,560	11,040
Auditing and accounting	15,000	15,000	2,305	12,695
Elections	5,000	5,000	1,325	3,675
Board of review	2,500	2,500	800	1,700
Assessor	8,800	8,800	6,799	2,001
Cemetery	7,500	7,500	-	7,500
Contractual services	64,554	104,554	86,380	18,174
Public safety:				
Fire department	43,800	23,800	4,452	19,348
Ambulance	17,300	17,300	-	17,300
Public works:				
Street lighting	9,500	9,500	7,980	1,520
Roads	47,500	47,500	-	47,500
Recreation and culture:				
Recreation and parks	34,497	30,497	19,316	11,181
Capital Outlay				
General	-	-	369	(369)
Township hall & grounds	-	-	71	(71)
Fire department	-	-	200	(200)
Assessor	-	-	1,795	(1,795)
Debt service:				
Principal	-	-	15,587	(15,587)
Interest	-	-	2,116	(2,116)
Other:				
Employee benefits	5,000	5,000	4,271	729
Insurance & bonds	15,700	19,700	16,509	3,191
Total expenditures	362,051	362,051	204,103	157,948
Excess revenues (expenditures)	(249,050)	(249,050)	(82,057)	166,993
Fund balances - beginning	272,027	193,638	193,638	-
Fund balances - ending	\$ 22,977	\$ (55,412)	\$ 111,581	\$ 166,993

See accompanying notes to financial statements.

## **Other Supplemental Information**

**TOWNSHIP OF SENEY**  
**COMPARATIVE STATEMENT OF NET ASSETS**  
**WATER FUND**  
**March 31, 2005 and 2004**

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	<u>March 31, 2005</u>	<u>March 31, 2004</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents		
Unrestricted	\$ 48,715	\$ 87,849
Due from other funds	44,500	-
Total current assets	<u>93,215</u>	<u>87,849</u>
Noncurrent assets:		
Capital assets, net of accumulated depreciation	<u>960,139</u>	<u>981,954</u>
Total assets	<u>\$ 1,053,354</u>	<u>\$ 1,069,803</u>
<b>LIABILITIES</b>		
Current liabilities:		
Due to other funds	\$ 41,083	41,083
Customer deposits	984	1,560
Total current liabilities	<u>42,067</u>	<u>42,643</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	960,139	981,954
Unrestricted	<u>51,148</u>	<u>45,206</u>
Total net assets	<u>1,011,287</u>	<u>1,027,160</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 1,053,354</u>	<u>\$ 1,069,803</u>

See accompanying notes to financial statements.

**TOWNSHIP OF SENEY**  
**COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS**  
**WATER FUND**  
**March 31, 2005 and 2004**

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	<u>March 31, 2005</u>	<u>March 31, 2004</u>
<b>OPERATING REVENUES:</b>		
Charges for services	\$ 16,951	\$ 18,567
<b>OPERATING EXPENSES:</b>		
Salaries and wages	3,552	3,540
Office supplies	3,587	1,294
Dues	-	250
Training	620	610
Travel	62	45
Contracted services	-	1,025
Repairs and maintenance	-	701
Telephone	427	401
Utilities	1,395	1,927
Depreciation	21,816	21,816
Miscellaneous	2,587	1,687
Total operating expenses	34,046	33,296
Operating income (loss)	(17,095)	(14,729)
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Interest income	1,222	810
Interest expense	-	(957)
Operating transfer in	-	53,957
Total nonoperating revenues (expenses)	1,222	53,810
Change in net assets	(15,873)	39,081
Total net assets - beginning	1,027,160	988,079
Total net assets - ending	<u>\$ 1,011,287</u>	<u>\$ 1,027,160</u>

See accompanying notes to financial statements.

**TOWNSHIP OF SENEY**  
**STATEMENT OF CASH FLOWS**  
**WATER FUND**  
**For the Year Ended March 31, 2005 and 2004**

	March 31, 2005	March 31, 2004
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 16,375	\$ 18,567
Cash payments to employees for wages	(3,552)	(3,540)
Cash payments to vendors for good and services	(8,679)	(7,941)
	<u>4,144</u>	<u>7,086</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers to other funds	(44,500)	-
Transfers from other funds	<u>-</u>	<u>53,957</u>
Net cash provided (used) by noncapital financing activities	<u>(44,500)</u>	<u>53,957</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Principal payment on bonds payable	-	(53,000)
Interest payment on bonds payable	<u>-</u>	<u>(957)</u>
Net cash used by capital and related financing activities	<u>-</u>	<u>(53,957)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest income	<u>1,222</u>	<u>810</u>
Net increase (decrease) in cash and equivalents	(39,134)	7,896
Cash and equivalents, beginning of year	<u>87,849</u>	<u>79,953</u>
Cash and equivalents, end of year	<u><u>\$ 48,715</u></u>	<u><u>\$ 87,849</u></u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ (17,095)	\$ (14,730)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation expense	21,816	21,816
Changes in assets and liabilities:		
Increase (decrease) in customer deposits	<u>(577)</u>	<u>-</u>
Total adjustments	<u>21,239</u>	<u>21,816</u>
Net cash provided by operating activities	<u><u>\$ 4,144</u></u>	<u><u>\$ 7,086</u></u>

See accompanying notes to financial statements.



## **Compliance Section**



**ANDERSON, TACKMAN & COMPANY, PLC**

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal  
Alan M. Stotz, CPA, Principal  
Raymond B. LaMarche, CPA, Principal  
Erkki M. Peippo, CPA, PC, Principal

Kevin C. Pascoe, CPA  
Lindsay J. Behrend, CPA  
Christina A. Smigowski, CPA

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Township Board  
Township of Seney  
P.O. Box 116  
Seney, Michigan 49883

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the Township of Seney as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements and have issued our report thereon dated May 12, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Township of Seney's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Township of Seney's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and

Township Board  
Township of Seney

not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of the Township in a separate letter dated May 12, 2005.

This report is intended solely for the information and use of the audit committee, management, the State of Michigan, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Anderberg, Tackman & Company P.C.*  
Certified Public Accountants

May 12, 2005



**ANDERSON, TACKMAN & COMPANY, PLC**

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal  
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Lindsay J. Behrend, CPA  
Christina A. Smigowski, CPA

**REPORT TO MANAGEMENT**

Township Board  
Township of Seney  
P.O. Box 116  
Seney, Michigan 49883

We have audited the financial statement of the Township of Seney for the year ended March 31, 2005, and have issued our reports thereon dated May 12, 2005. Our professional standards require that we make several communications to you, the purpose of which is to assist you with additional information regarding the scope and results of the audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

Our Responsibility under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in our engagement letter dated October 25, 2004, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations may exist and not be detected by us.

As part of our audit, we considered the internal control structure of the Township of Seney. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Township of Seney's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management has the responsibility for selection of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies used by the Township of Seney are described in Note A of the financial statements.

During the current year, the Township prepared their financial statements in accordance with GASB Statement 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, which significantly changes the financial reporting format for the Township.

We noted no transactions entered into by the Township of Seney during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

#### Management Judgement and Accounting Estimates

Some accounting estimates are utilized in financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Our conclusions regarding the reasonableness of these estimates are based on reviewing and testing the historical data provided by management and using this data to compute the estimates. The most sensitive estimates affecting the financial statements were the useful lives of property and equipment for the purpose of calculating depreciation.

#### Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Our audit adjustments, individually and in the aggregate, do not have a significant effect on the financial reporting process.

#### Disagreement with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether significant or not resolved to our satisfaction concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

#### Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about accounting and auditing matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the financial statements of the Township of Seney or a determination of the type of auditors' opinion to be expressed on those statements, our professional

standards require the consulting accountant to advise us as to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township of Seney's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in the performance of our audit.

In planning and performing our audit of the financial statements of the Township of Seney, for the year ended March 31, 2005, we considered the Township of Seney's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and recommendations regarding those matters. This letter does not affect our report dated May 12, 2005, on the financial statements of the Township of Seney.

We have already discussed many of these comments and recommendations with various Township personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This information is intended solely for the use of the Township of Seney and management of the Township and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tackman & Company P.C.*

Certified Public Accountants

May 12, 2005

**Segregation of Duties**

As noted in the comments and recommendations during your last audit, there is an inadequate segregation of duties with respect to cash control. It was also noted in the comments and recommendations during your last audit that management felt it was not practical to change any of the procedures with regard to cash control. We recommend that the board continue to review cash activity balances at each board meeting to operate as a control and check over cash activity.

**Fixed Asset Threshold**

We noted during our audit that the fixed asset listing contains some assets of relatively small dollar amounts. We recommend that the board establish a dollar threshold that would apply to whether an asset would be capitalized and included on the list or excluded. As an example the board could set the threshold at \$1,000 and any asset purchased that cost more than that would be included on the fixed asset listing and any asset costing less would be excluded and thus an expenditure. This policy would allow for time savings with respect to maintaining the fixed asset listing.

**Tax Account**

We noted during our audit that the tax account activity is not included in the general ledger activity maintained by your commercial accountants. We recommend that the tax account activity be given to the commercial accountants so that this activity will also be included in your monthly reports and general ledger.

**Water Ordinance W-3**

Water ordinance W-3 provides for the establishment of a depreciation fund. While the ordinance does not contain a specific dollar amount requirement, it seems clear that the ordinance provides a requirement for system replacement funding. We recommend that the board consider establishing this fund and determining a systematic method of funding it.

**Water Fund Payable to the General Fund**

During our audit, we noted that the Water Fund owes the General Fund \$41,084. This amount has been on the books for quite some time. We recommend that the board consider the final disposition of this liability either by repayment, offset of the receivable established in the current year, or by forgiveness.

**Computerized Accounting System**

During our audit, we noted that the township has begun to use a computer accounting software system to account for the general ledger activities in an effort to reduce the involvement of the commercial accountant. It is recommended, however, that the commercial accountant remain involved, even on a quarterly basis, during the first year of this implementation to assure that activities are properly recorded and that account information remains comparative to prior reporting.

**Revolving Loan Activity**

We noted during the current fiscal year that a previously written off receivable from Superior County Wood Truss was deemed to be receivable. This loan was initially provided to Superior Wood Truss through a grant provided by the Michigan Small Cities program, and the activity is currently being recorded in the general fund. It is recommended, as these funds become available to loan to other entities, that the activity be recorded in a separate Special Revenue fund if the monies continue to be loaned on a more routine basis.